SASKATCHEWAN MINERALS

1983 ANNUAL REPORT

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ANNUAL REPORT

of

SASKATCHEWAN MINERALS

OF THE

PROVINCE OF SASKATCHEWAN

for the

Year ending December 31, 1983

Saskatchewan Minerals

P.O. Box 120
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29 March, 1984

To His Honour
The Honourable Fredrick W. Johnson
Lieutenant Governor of the
Province of Saskatchewan

Sir:

I have the honour to submit herewith the Annual Report of Saskatchewan Minerals for the year ending December 31, 1983 including the financial statements therefore, duly certified by the Corporation's auditors and in the form approved by the Treasury Board, all in accordance with the Crown Corporations Act, 1978.

I have the honour to be, Sir,

Your obedient servant,

Joan H. Duncan
Minister Responsible
Chairman of the Board
Saskatchewan Minerals

BOARD OF DIRECTORS

Hon. Joan Duncan
Minister & Chairman of the Board
REGINA, Saskatchewan

Marcel Tabouret
Corporate Officer
Crown Management Board
REGINA, Saskatchewan

Robert Berry, Farmer
CENTRAL BUTTE, Saskatchewan

Richard Gleim, Farmer
CHAPLIN, Saskatchewan

R. E. Ulrich
Corporate Secretary
Crown Management Board
REGINA, Saskatchewan

General Manager: J. C. Mills

Director of Finance & Administration: L. A. Mason

Director of Research & Engineering: G. F. Miller

Director of Marketing: T. D. Lavineway

Director of Operations: G. M. Krantz

SASKATCHEWAN MINERALS
ANNUAL REPORT
1983

The operations of Saskatchewan Minerals during the year ended December 31, 1983 resulted in net earnings of $2,044,708. Total net earnings since the inception of the Corporation now stand at $41,462,288.

Sales

As forecast in our last report, both sales tonnage and profits declined in 1983. Overall sales tonnage was down by 27.1% and sales revenues were down by 19.0%.

While the economy in the United States continued to improve and additional by-product Sodium Sulphate was produced, the importation of over 70,000 tons of Sodium Sulphate from Europe, Chile and Mexico was of equal significance. Perhaps the most important factor in the market was that the use of Caustic Soda and Emulsified Sulphur was replacing approximately 170,000 tons of Sodium Sulphate on an annual basis, in the Pulp Industry by the end of the year. The continued use of these products will, in all probability, depend on the availability and price of Caustic Soda.

Again this year one other large by-product producer in the United States with a production capacity of 120,000 tons per year closed their operation as of July 1, 1983.

Sales to Canadian accounts declined by 5.5% while export sales were down by 32.8%. Shipments to offshore accounts amount to 4.3% of the total export sales but were down from 1982 by 34.7%.

The Canadian Kraft Pulp Industry in general operated at better levels than during the previous year, however, a number of mill shutdowns for inventory adjustment did occur and the decline in the consumption of Western Canadian Saltcake continued for the fifth year in a row. Due to the importation into the United States of about 30,000 tons of Mexican material, sales of Detergent Grade from Western Canada were down.

Sales to the Detergent Industry were down by 7.9% while sales to the Glass Industry were down by 13.0%. Sales to the Kraft Pulp Industry declined by 40.8% and sales to the Mineral Feed Industry improved by 18.0%.

Due to the restraint program, the Canadian railways only increased the rates once in 1983 and that was an increase of 6% effective January 1, 1983. Freight rates to the United States points were increased a total of 1.2% during the year. Due to the increased volume of other commodities such as grain and potash being shipped, the supply of hopper car equipment was beginning to get tight by year end. The quality of hopper cars supplied by the Railroad to our Ingebrigt plant continues to be a problem.

The year ahead would appear, at this point in time, to be similar to 1983 in terms of total sales tonnage. The economic recovery will continue but at a slower pace both in Canada and the United States with the result that more by-product material will be available. We expect less European saltcake will be imported into the United States market due to the decline of prices in the South Eastern market. In Canada, there could be labour problems in the Pulp Industry which could adversely affect our sales.

In view of this, I believe we will see a further decline in Pulp Grade Saltcake sales and a small increase in the sale of Detergent Grade material with an overall decline in sales tonnage. Because of the savings in Natural Gas costs at Chaplin for the full year and other efficiencies introduced, we expect profit to remain the same or slightly higher than in 1983.

Production

The Bishopric plant was closed at the end of January as our stockpile of raw material had been depleted at that time. Production ceased at the Sybouts plant near Gladmar at the end of April as the stockpile of raw material was depleted also but as this coincided with the decline in the market there was no problem in supplying required amounts of saltcake from our other two plants.

Production at Chaplin was down 27.1% and at Ingebrigt production was up by 3.5%. A new monthly record in production was set at Ingebrigt in March and the total produced during the year was a new high at that plant.

The new Multiple Effect Evaporator system was started up during the year at Chaplin and while a number of problems were encountered the system was operating reasonably well by year end. Natural Gas costs per ton for the last quarter were less than half of what they were in the same period in 1982.

Brine pumping was undertaken at all four locations with brine densities much better than the previous year. Harvesting will be carried out at Bishopric, Chaplin and Ingebrigt this winter.

Adequate supplies of raw material will be available to meet expected market demand in 1984. The additional brine reservoir at Chaplin was delayed indefinitely due to market conditions as was the improvements to the Sybouts plant. The purchase of a larger dredge for Ingebrigt was delayed until 1984.

Peat Moss Division

Due to the continuing decline in prices, another difficult year was experienced.

The abnormally wet weather at the bog and the low number of drying days hampered the harvesting of the moss resulting in increased cost of raw material. We are investigating other methods of harvesting and production in an effort to eliminate our dependence on weather conditions.

The budget estimates for 1984 show an improvement in sales volume and it is hoped that prices will improve during the year.

Earnings

The overall net earnings of the Corporation amounted to $2,044,708, a considerable drop from 1982. With the lower production and sales volume, unit costs increased and were only partially offset by a price increase during the year.

Total assets of the Corporation now stand at $19,809,139. A dividend of $2,044,708 to the Crown Investments Corporation was declared.

Engineering & Research

The Multiple Effect Dehydration system at Chaplin commenced producing in May 1983. The dramatic reduction in Natural Gas usage has been most heartening, but we have experienced unexpected operational problems that necessitated renovations to some of the equipment. By year end we were approaching design capacity during some periods of production but not on a continuous basis.

During 1983 a decision was made to discontinue efforts on Energy Storage research. Some of the test equipment has been dismantled for use in our operating plants and at year end we were actively engaged in disposal of surplus items.

In 1984, we will be directing our efforts towards improvements at Ingebrigt. Some new lake handling methods that we have been working on will proceed and extensive studies to change the dehydration system are underway.

General Statistics

Saskatchewan Minerals has made the following direct contribution to the Saskatchewan economy.

	During 1983	Since Inception
Salaries and Wages	$ 6,583,085	$ 44,907,603
Grants in Lieu of Taxes	$ 215,420	$ 1,572,437
Royalties	$ 1,031,119	$ 9,629,371
Dividends paid to Crown Investments Corporation	$ 2,044,708	$ 38,465,099

Personnel

As a result of declining markets and a lack of raw material supply, the Corporation was forced to close 2 of its 4 operating sodium sulphate plants during 1983. The Bishopric plant closure on January 31 resulted in a loss of 27 full time positions and a later closure of the Sybouts plant in May 1983 further reduced the work force by 34 positions. Some of these employees were absorbed temporarily at the Chaplin and Ingebrigt plants in place of temporary summer employees.

The Corporation, as at December 31, has 186 employees (excluding three employees currently on long term disability), compared to 240 in 1982. One employee retired during the year.

The employees in the Sodium Sulphate Division are represented by the Energy & Chemical Workers Union Local 678 and have a Collective Bargaining Agreement which is due to expire on April 30, 1984.

The employees of the Peat Moss Division at Carrot River are represented by the International Wood Workers of America Local 1-184 and have a separate Agreement which was re-negotiated in August 1983 for a 1 year term that expires May 31, 1984.

A revised safety awards system was implemented during 1983 which has aided in the reduction of the frequency of accidents reported in one million man-hours from 281 in 1982 to 160 in 1983, and a reduction of the frequency of lost time accidents in one million man-hours from 115 in 1982 to 77 in 1983. All employees must be commended for this achievement and we look forward to their continued support in maintaining a safe working environment and work habits.

On behalf of the Board of Directors, and people of Saskatchewan and Corporate Management, I wish to express our appreciation to all our customers for their business, to all our suppliers for their service and to all employees for their dedicated efforts throughout 1983.

J. C. Mills
General Manager

SASKATCHEWAN MINERALS

Financial Statements for the Year Ended December 31, 1983

BURROUGHS, WEBER, GROSS, DOWNS & HEPPNER
Chartered Accountants
SWIFT CURRENT, SASKATCHEWAN

Burroughs, Weber, Gross, Downs & Heppner

R.J. Weber, B. Comm., C.A.
E.G. Gross, C.A.
A.E. Downs, B. Comm., C.A.
E.K. Heppner, C.A.

A.E. Lightfoot, B. Comm., C.A.

Chartered Accountants

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Swift Current, Sask.
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AUDITOR'S REPORT

To the Members of the Legislative Assembly
Of the Province of Saskatchewan

We have examined the Statement of Financial Position of Saskatchewan Minerals as at December 1983, the Statements of income and retained earnings, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Burroughs, Weber, Gross, Downs & Heppner

BURROUGHS, WEBER, GROSS, DOWNS & HEPPNER
Chartered Accountants

Swift Current, Saskatchewan
February 9, 1984

SASKATCHEWAN MINERALS

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	1983	1982
ASSETS		
CURRENT ASSETS		
Cash	$ 701,176	$ -
Due from Crown Investments Corporation	-	1,600,000
Accounts receivable	2,107,579	3,601,679
Inventories [Note 3]	3,088,606	3,296,567
Prepaid expenses	28,492	31,509
	5,925,853	8,529,755
PROPERTY, PLANT AND EQUIPMENT [Note 4]	13,462,766	13,541,282
DEFERRED CHARGES, NET OF AMORTIZATION	420,519	534,835
	$19,809,139	$22,605,872
LIABILITIES AND PROVINCE'S EQUITY		
CURRENT LIABILITIES		
Bank indebtedness	$ -	$ 171,556
Accounts payable and accrued liabilities	1,747,242	2,221,941
Due to Crown Investments Corporation [Note 5]	2,044,708	10,155,186
Current portion of long-term debt [Note 6]	540,000	1,040,000
	4,331,950	13,588,683
LONG-TERM DEBT [Note 6]	9,080,000	2,620,000
PROVINCE OF SASKATCHEWAN'S EQUITY		
Advances [Note 7]	3,400,000	3,400,000
Retained earnings	2,997,189	2,997,189
	6,397,189	6,397,189
	$19,809,139	$22,605,872

See accompanying notes

SASKATCHEWAN MINERALS

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31

	1983	1982
Revenue		
Sales of product	$23,852,827	$28,155,087
Other	157,074	173,518
	24,009,901	28,328,605
Expenses		
Operating costs, other than those shown below	16,790,834	18,335,035
Selling and administrative	2,933,825	3,233,215
Depreciation and amortization	1,283,600	1,017,829
Interest [Note 8]	956,934	587,340
	21,965,193	23,173,419
Net earnings	2,044,708	5,155,186
Retained earnings, beginning of year	2,997,189	2,997,189
	5,041,897	8,152,375
Dividends to Crown Investments Corporation	2,044,708	5,155,186
Retained earnings, end of year	$ 2,997,189	$ 2,997,189

See accompanying notes

SASKATCHEWAN MINERALS

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31

	1983	1982
Source of funds		
Operations		
Net earnings	$ 2,044,708	$ 5,155,186
Depreciation and amortization	1,468,925	1,109,759
	3,513,633	6,264,945
Long-term debt	6,460,000	-
	9,973,633	6,264,945
Application of funds		
Retirement of long-term debt	-	1,040,000
Deferred charges	47,075	9,716
Purchase of property, plant and equipment (net of disposals)	1,229,019	4,207,687
Dividends to Crown Investments Corporation	2,044,708	5,155,186
	3,320,802	10,412,589
Increase (decrease) in working capital	$ 6,652,831	$(4,147,644)

See accompanying notes

1. Summary of Accounting Policies

The following summary of significant accounting policies contains a description of the accounting methods and practices that have an important impact on the corporation's financial statements.

- Inventories

Finished product and raw material inventory are valued at the lower of average cost for the year and net realizable value. Inventories of materials and supplies are valued at the lower of cost and replacement cost.

- Deferred Charges

This item represents renovation costs incurred at the Sybouts Plant prior to start up which will be charged to operations during 1984 to 1987. Development of lakes at Chaplin will be amortized over the next two years on a straight line basis.

- Property, Plant and Equipment

The costs of maintenance, repairs and minor renewal or replacements are charged to operations as they arise. The costs of major replacements, extensions and improvements are capitalized in the property, plant and equipment accounts. On retirement or disposal of property, plant and equipment, the costs thereof and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the statement of operations.

- Depreciation and Amortization

Property, plant and equipment are depreciated over their estimated useful lives on a straight line basis over the following periods:

Leases	10 to 12 years
Buildings	10 to 30 years
Machinery and equipment	10 to 20 years
Office and safety equipment	5 years
Ditch lines, reservoirs, pipelines, spur tracks and platforms	10 to 20 years
Trucks	5 years

Bog development and leases, and sodium sulphate deposits at the Sybouts Plant are amortized on the unit of production method over the estimated useful productive life of the asset.

- Foreign exchange translation

Foreign currency transactions are translated to Canadian dollars at the exchange rate in effect for that day.

U.S. dollar current assets are translated to Canadian dollars on the basis of year end exchange rates.

2. Status of Saskatchewan Minerals

Saskatchewan Minerals was established by Order-in-Council 724 in 1945 and subsequently amended by Order 319 in 1946 and 535 in 1947. The corporation continues under the provisions of The Crown Corporations Act, 1978. The accounts of the corporation are consolidated in the annual financial statements of Crown Investments Corporation of Saskatchewan.

3. Inventories

The inventories of the corporation are comprised of:

	1983	1982
Finished product	$ 1,218,486	$ 1,415,675
Raw material	1,289,473	1,280,244
Material and supplies	580,647	600,648
	$ 3,088,606	$ 3,296,567

4. Property, Plant and Equipment

	- 1 9 8 3 -			1982
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 29,325	$ -	$ 29,325	$ 29,475
Buildings	5,385,925	2,071,594	3,314,331	3,413,609
Machinery and equipment	16,574,173	7,909,373	8,664,800	8,609,496
Leases and licenses	392,142	180,888	211,254	234,003
Ditch lines, reservoirs, pipelines, spur tracks, platforms, bog development and other	1,808,493	565,437	1,243,056	1,254,699
	$24,190,058	$10,727,292	$13,462,766	$13,541,282

5. Due to Crown Investments Corporation

	1983	1982
Dividend payable	$ 2,044,708	$ 5,155,186
Loan	-	5,000,000
	$ 2,044,708	$10,155,186

6. Long-Term Debt

	1983	1982
Crown Investments Corporation #1	$ -	$ 1,500,000
#2	1,620,000	2,160,000
#3	5,000,000	-
#4	3,000,000	-
	9,620,000	3,660,000
Less amount due within one year	540,000	1,040,000
	$ 9,080,000	$ 2,620,000

The principal #2 is due in three annual installments of $540,000 on September 30, 1984 to 1986, inclusive, plus interest at a prime related floating rate.

The principal #3 is due December 29, 1987 with interest payable semi-annually at 11 3/4% per year.

The principal #4 is due December 21, 1988 with interest payable semi-annually at 10 3/4% per year.

7. Advances from Crown Investments Corporation

These advances represent the net capital contributions by Crown Investments Corporation of Saskatchewan to the Corporation since its inception. These advances are repayable at the discretion of Crown Investments Corporation of Saskatchewan and do not bear interest.

8. Interest Expense

	1983	1982
Long-term	$ 934,903	$ 575,567
Bank charges and demand loan	22,031	11,773
	$ 956,934	$ 587,340

9. Directors and Senior Officers

The corporation's seven directors received from Saskatchewan Minerals, in aggregate, $1,275 during 1983 (twelve directors 1982 - $3,450).

The five senior officers received, in aggregate, $282,200 in salaries for 1983 (five officers 1982 - $264,616).

10. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the balance sheet and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.